



# Ports Retirement Plan

## Chairmans Newsletter – July 2022

### Performance to 31 March 2022

Despite significant weakness in markets towards the end of the Plan's financial year, the Trustee was able to report a modest positive return for the 12 months ended 31 March 2022 for the Balanced Fund. Unfortunately, the Conservative Fund realised a small loss for the financial year, with rising interest rates impacting negatively on its significant exposure to fixed interest investments.

The pre-tax returns (after investment expenses but before all other expenses and insurance costs) were 2.7% for the Balanced Fund, and -1.4% for the Conservative Fund. These are in stark contrast with the previous financial year's very strong results (of 23.0% and 10.3% respectively).

Investment markets had been reasonably strong over the first three quarters of the financial year. However, the tide turned in the March 2022 quarter, with sharp falls in both shares and fixed interest investments. The main drivers of this were a change in the direction of central bank policy (driven by heightened inflation) and the outbreak of war in Ukraine.

Over the five years ended 31 March 2022, the annualised pre-tax return for the Balanced Fund was 7.2%, significantly in excess of the inflation rate of 2.7% p.a.

Members will have by now received their Member Statements and a copy of the Annual Report. If you have any questions, please contact Claire Shiels at Melville Jessup Weaver (phone 04 4990277 or e-mail [claire.shiels@mjw.co.nz](mailto:claire.shiels@mjw.co.nz)).

### Performance for the Three Months ended 30 June 2022

The weakness in global financial markets continued into the first quarter of the new financial year. The world's central banks continued to raise cash rates in an effort to reign in inflation. The US Federal Reserve announced an aggressive 0.75% rate hike – the biggest rise since 1994. With no end in sight to the war in Ukraine, oil and gas prices remained high, and combined with a shortage of food staples and the continuing supply chain pressures, inflation is likely to remain high for some time.

The pre-tax returns for the three months ended 30 June 2022 were -8.9% for the Balanced Fund, and -5.7% for the Conservative Fund.

While negative returns can be unsettling, they are more or less inevitable at times during an investment cycle. This is particularly the case for shares, with the recent negative returns for fixed income investments being a bit more unusual. The good news is that, all else being equal, both shares and fixed income are now priced to deliver more attractive returns going forward

### Review of Investment Strategy

A review of investment strategy has confirmed the appropriateness of the Balanced Fund maintaining an allocation to Growth assets (such as shares) of 55% and Income assets (such as fixed interest and cash) of 45%. Nonetheless, the 2.5% exposure to Alternative Growth which had not

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delivered the diversification benefits anticipated, was removed in June 2022, with the investments in Global Listed Property and Global Listed Infrastructure each being increased by 1.25%.

No changes were made to the investment strategy for the Conservative Fund.

The long-term performance of the Plan continues to be strong, and the Directors are confident that the broad investment strategy remains robust and appropriate to meet the retirement needs of members

The Statement of Investment Policy and Objectives (SIPO) was updated as at 23 June 2022. The new document has been posted on the Plan's website.

## **Review and Updating the Legal Documents relating to the Plan**

We have undertaken a review of the Trust Deed and associated documents (Product Disclosure Statement and Other Material Information) to reflect the Trustee Act 2019 and give effect to a number of minor amendments and "tidy ups" throughout the documents.

One area that could be of interest to members relates to the calculation of investment earnings in determining a benefit payment. In the case of a death benefit, there is often considerable delay between when the Trustee is advised of the death and the date payment is made. Previously we have included investment earnings to the date of payment. When investment earnings are positive, this benefits the estate, but the reverse applies when investment earnings are negative.

The Trust Deed has been amended such that that benefit payments are based on investment earnings as at the date formal notification is received by the Trustee. In the case of a death benefit, it can take some time before the payment is made, so the amount payable will be transferred to an interest-bearing bank account to protect the benefit amount from investment market volatility.

The updated documentation is dated 23 June 2022 and can be found on the Plan's website ([www.portsretirement.org.nz](http://www.portsretirement.org.nz)) or on the Disclose Register ([www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose)).

Paul Drummond

Chair

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